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CAFTA Benefits and WTO

In terms of reinforcing the dramatic democratic progress several Central American nations have achieved in recent years, the geopolitical and geostrategic benefits accruing to the United States from the Central American Free Trade Agreement (CAFTA) are indisputable. Beyond this important realm, CAFTA will also generate sizable economic benefits for the United States, both directly and indirectly. Congress' failure to approve CAFTA could have serious consequences, both economic and political throughout the Western Hemisphere and the world. With such high stakes, it is regrettable that the heavily protected U.S. sugar industry, which comprises less than 1 percent of the nation's harvested cropland, wields such disproportionate influence in the campaign against CAFTA.

Those who demand that free-trade agreements impose a level playing field should embrace CAFTA. Today, 80 percent of U.S. imports from CAFTA signatories -- the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica -- arrive here duty-free. By contrast, U.S. goods exported to this six-nation market face relatively high tariffs. The agreement would immediately eliminate these high tariffs on 80 percent of U.S. exports to this region, whose 45 million consumers already buy more from the United States than the 1.5 billion people in India, Indonesia and Russia.

While the agreement provides for small increases in sugar imports here, the American Farm Bureau Federation has estimated that U.S. farmers would increase their exports by $1.5 billion per year, including wheat, potatoes, corn, soybeans, poultry, pork, beef and produce. In a study of 12 states ranging from California to Florida to North Carolina to Pennsylvania, the U.S. Chamber of Commerce estimates that CAFTA would create 25,000 U.S. jobs in its first year and 130,000 over the next decade. Already, yarn, fabric and other products from the U.S. textile and apparel industries comprise about a third of U.S. exports to CAFTA signatories. If CAFTA increases the region's apparel-, textile- and shoe-industry employment by 300,000, as a University of Michigan study projects, inputs from the United States will increase. That would not be the case if China were to export those finished goods to the United States.

A study by the Institute for International Economics (IIE) recently estimated that free-trade agreements negotiated during the second half of the 20th century increased U.S. income by roughly $1 trillion per year, or an average of $10,000 per household. Benefits of future trade agreements, beginning with CAFTA, could increase average household income by an additional $5,000 per year, the IIE said. But if CAFTA is defeated, the prospects would dim considerably for successfully concluding the World Trade Organization's Doha round of free-trade negotiations involving nearly 150 nations. Thus, much more is at stake than just the benefits available from CAFTA.